



COMMON MARKET FARM REPORT

BELGIUM, FRANCE, FEDERAL REPUBLIC OF GERMANY, ITALY, LUXEMBOURG, THE NETHERLANDS

July 1: Its Meaning for Common Market Agriculture

On July 1, 1968, the customs union between the six European Community countries became effective and the Community's agricultural common market was all but completed.

The completion of the customs union 18 months ahead of schedule means the complete abolition of duties between the Six and the establishment of a common external customs tariff for all industrial goods and some agricultural products. The application of the common external tariff (CET) does not have the same decisive significance for agricultural goods as for industrial goods. Products covered by the Community's Common Agricultural Policy (CAP) are not subject to the CET. Trade liberalization in agriculture depends, rather, on the completion of the CAP's machinery, the common market organization, which now covers about 86% of Community agricultural production.

Common Market Organization

The first stage of a common market organization sets up a common system for import levies, minimum import prices based on world prices and target prices within the Community, export refunds, and domestic support measures. The second stage introduces single prices, free movement of goods within the Community, and completion of Community agricultural financing arrangements.

This process has occurred at different dates in various sectors (see Table I). Broadly speaking, alignment of national tariffs on the CET for agricultural products held to the timetable laid down in the Common Market Treaty. The first 30 per cent reduction took place on January 1, 1961, and the second, also of 30 per cent, on January 1, 1965. For cereals, rice, pork, eggs and poultry, milk products, olive oil, and sugar, customs duties were replaced by a system of variable levies. The CET was applied to some fruit and vegetables as early as January 1, 1967, and full alignment for other products in this sector took place on July 1, 1968. The CET came into force for vegetable oils on July 1, 1967; and will come into effect for beef and veal once the single price system is applied (see below).

Prior to July 1, 1968, 47.6 per cent of agricultural production and 49.9 per cent of intra-Community trade in agriculture had been liberalized. As the single price systems for sugar, milk products, and beef and veal come into effect, these percentages will be 86.1 per cent and 75.2 per cent, respectively (see Table II).

Council Decisions Complete Market

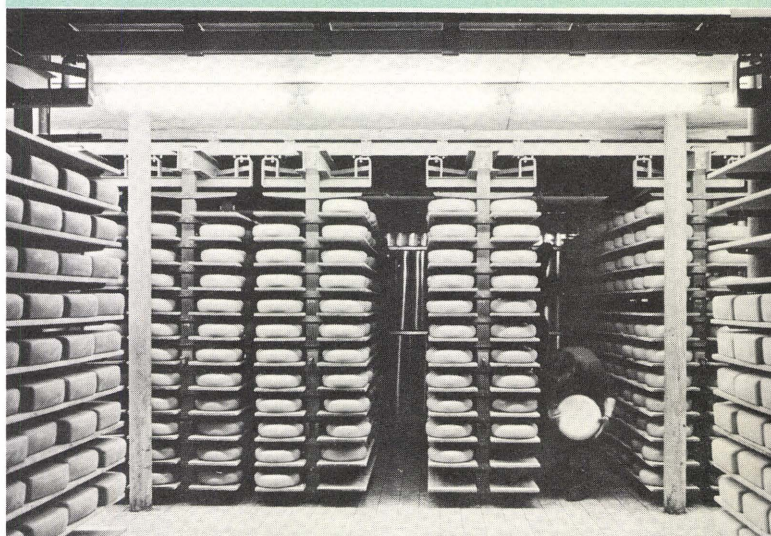
The Community's Council of Ministers, meeting in May and June, were able to make a number of major decisions

to complete the agricultural common market by the July 1 deadline. In addition to the new decisions and regulations reported below, modifications were made in the basic regulations on cereals, eggs, and rice to adopt the existing nomenclature to the new nomenclature of the CET.

Milk and Milk Products. The Council on June 28 adopted the regulations on the common organization in milk and milk products. It agreed to put the regulation in force on June 29, with the single price system introduced on July 1 but effectively applied on July 29. A compromise was reached on the controversial question of milk for human consumption: liquid milk



Top: Bottling milk at an inter-cooperative dairy in Schoten, Belgium. Bottom: Gouda cheeses being aged at a cheese dairy in Belgium.



will enter the final system of the single market on January 1, 1970. In the meantime, certain national provisions are to be adopted by the Council by January 1, 1969.

To finance the common milk policy, the Council decided:

- to take appropriate Community financial and economic measures should expenditures from the price support section of the farm fund exceed \$630 million in the 1968/69 marketing year.

- to reduce farm fund expenditures for milk and milk products by \$170 million. This cost of absorbing old butter stocks is to be paid by the member states holding stocks in proportion to the quantities of butter which they held on April 1, 1968.

- to proceed with the introduction of a tax on vegetable and marine-animal fats intended for human consumption. The tax will accrue to the Community. Although the German delegation stated it would not introduce the tax, it would meet the corresponding financial obligations.

- to adopt as quickly as possible measures for the disposal of surpluses in the milk and milk products sector. These measures include, in particular: the sale of butter at a reduced price to certain groups of consumers and to the processing industry, food aids, and the incorporation of butyric fats in animal feed.

Beef and Veal. The Council agreed to introduce the single price system for beef and veal on July 1, 1968. As in the milk sector, the effective date of application will be July 29, 1968. The Council also



adopted implementing regulations regarding the granting of export refunds and the criteria for fixing their amount.

Pork. The Council adopted regulations fixing the basic price and the standard quality for pork for the

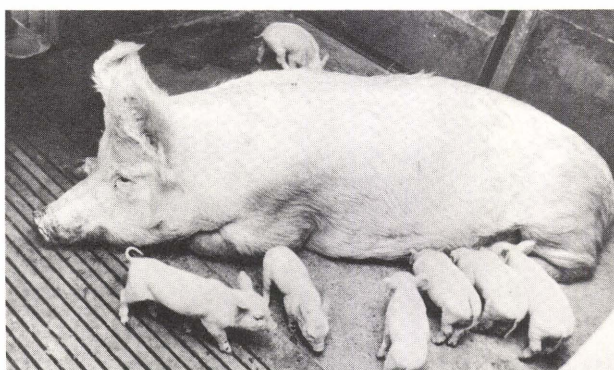


Table I. TIMETABLE OF COMMON AGRICULTURAL MARKET ORGANIZATIONS

Sectors	First Measures Introduced	¹ Single Prices	Intra-Community Liberalization	Commercial Policy	Community Financing	Commission Proposal ²
Cereals	August 1962	July 1967	July 1967	July 1967	August 1962	
Rice	September 1964	September 1967	September 1967	September 1967	September 1964	
Pork	August 1962	July 1967	July 1967	July 1967	August 1962	
Eggs, poultry	August 1962	July 1967	July 1967	July 1967	August 1962	
Oilseeds	July 1967	July 1967	July 1967	July 1967	July 1967	
Olive oil	November 1966	November 1966	November 1966	November 1966	November 1966 (Italy: 1965)	
Milk	November 1964	July 1968	July 1968	July 1968	November 1964	
Beef and veal	November 1964	July 1968	July 1968	July 1968	November 1964	
Fruit and vegetables - fresh	August 1962	January 1962	January 1967 and July 1968		January 1967	Marketing policy December 1966
- processed products	July 1967	July 1968	July 1968	July 1968		
Sugar	July 1967	July 1968	July 1968	July 1968	July 1967 (Belgium: 1965)	
Flowers, bulbs, etc.	July 1968		July 1968			Marketing policy February 1967
Wine	August 1962					Table wines June 1967
Tobacco					(Italy: 1967)	July 1967
Fisheries products						June 1968

¹ This does not always mean a guaranteed price.

² During the second half of 1968, the Commission will submit common market organization proposals for hops, linen and hemp, potatoes, alcohol, sheep, bananas, and chicory roots.

period July 1 - October 31, 1968. The Council also adopted nomenclature used in the basic regulation to that used in the new common customs tariff.

Sugar. A single price system was fixed enabling the single market for sugar to enter into force on July 1, 1968. However, the market will not be fully unified until 1972. Certain common measures for the organization of the market have been force for more than a year. The sugar market organization now enters a second stage with the introduction of transitional provisions which will remain in force for a further seven years. During this period, the free movement of sugar and Community financing will be assured, but price and marketing guarantees will be limited by means of a two-tier quota system; quotas will be fixed for each member state and each sugar factory, with provision for the possible introduction of a production levy for output in excess of the quotas. The most important regulations adopted by the Council on June 18 fixed prices for sugar in the 1968/69 marketing year, and specified the general rules related to export rebates, the denaturing of sugar used in animal feeds, and export rebates on sugar used in the chemical industry.

Fruits and Vegetables. The Council on June 28 adopted a regulation on the common organization of the market in processed fruit and vegetable products. The regulation provides, basically, for the liberalization of intra-Community trade in the products in question, with or without added sugar, that originate in the member states. For trade in these products with third countries, the regulation provides for the application of the CET and a levy on the added sugar contained in



Top: Sugar beets being harvested in Germany.

Below: A view of the controls and machinery in a sugar refinery in Tirlemont, Belgium.



Table II. IMPORTANCE OF AGRICULTURAL SECTORS

Sectors	in per cent			in millions of dollars			
	Agricultural Production 1965	Intra-Community Trade		Community Imports		Community Exports	
		1958	1967	1958	1967	1958	1967
Cereals	10.7	87.1	409.9	731.5	1,185.9	179.0	447.6
Rice	0.3	5.0	15.2	34.0	44.0	29.9	26.8
Sugar	2.2*	1.9	26.9	105.6	85.0	102.0	40.9
Fresh fruit	5.9	126.5	291.1	294.9	423.3	77.6	135.6
Fresh vegetables	7.6	87.1	254.1	66.6	123.1	57.7	94.7
Milk	19.1	73.1	357.0	75.2	134.2	192.6	379.1
Beef and veal	14.6	32.1	273.6	198.5	509.3	23.0	25.1
Pork	13.0	40.0	232.1	100.5	224.0	156.5	183.0
Eggs	5.1	103.4	62.5	105.6	23.9	4.7	6.1
Poultry	3.4	31.1	115.5	31.3	40.6	9.8	17.2
Oils and fats	1.6	49.5	132.4	839.6	1,592.6	105.8	151.4
Floriculture	2.6	46.3	153.9	5.1	20.5	62.6	106.1
Wine	5.9	50.6	114.7	415.9	129.6	91.9	188.8
Tobacco	0.4	8.9	36.4	207.3	342.9	12.5	8.2
Fisheries products	-	36.5	103.3	123.2	302.6	34.1	48.8
Potatoes	3.0	27.1	62.5	22.3	27.1	58.8	37.1

* Sugarbeet production only.



Decisions completing the Community's common agricultural market touched almost every sector, including processed fruit and vegetables.



them. Final arrangements for imports of these products from outside the Community will be determined before December 31, 1968, and will be applied on July 1, 1969.

Plants, Bulbs, Cut Flowers, etc. A common market organization for plants, flowers, bulbs, roots and the like, and ornamental foliage, became effective on July 1. The common system, passed by the Council on February 27, provides for the standardization of certain products, the liberalization of intra-Community trade, the application of the CET, and the fixing of a minimum export price for bulbs. Arrangements have been made for coordinating marketing policy as of January 1, 1969.

Other Annex II Products. As for the remaining products listed in Annex II to the Treaty -- those agricultural products for which no common market organization proposals are to be made (see Table I) -- the Council on June 28 adopted Commission proposals to liberalize trade in certain of these products, i.e. those for which liberal arrangements are not likely to have adverse effects on Community agricultural production. (The main products excluded were honey, coffee, pineapples, seed and fruit for sowing, and residue and waste from sugar refineries.)

Under the approved proposals, quotas in intra-Community trade are to be abolished, customs duties or measures with an equivalent effect removed, recourse to minimum prices prohibited, and the CET applied, starting July 1, 1968. Also prohibited are quotas or taxes equivalent to a customs duty on imports from non-member countries.

Customs duties on the products not covered by the proposal will remain unchanged in intra-Community trade but will be adjusted for products from non-member countries for which concessions were made in the Kennedy Round, including processed fruit and vegetables. The tariff on raw tobacco, for example, will be reduced by two-fifths. The procedures for implementing the Kennedy Round concessions can be summarized as follows:

- Germany and the Benelux will align their national duties on the Kennedy Round rates when they are higher; otherwise they will remain unchanged.
- Italy's national duties will be aligned on the Kennedy Round rates.
- France will adjust its tariffs, which have already approached the CET by 60 per cent, in order to take into account the two-fifth tariff cut under the Kennedy Round.

The free movement of goods is a gradual process and even after July 1 the agricultural markets in the Community still do not have all the characteristics of a domestic market. For instance, for a one-year period, import and export licenses will only be valid in the issuing country, although anyone, irrespective of his place of residence in the Community, may apply for these licenses. And, as with the industrial sector, the harmonization of tax, customs, and health laws (particularly veterinary and food regulations) still have to be tackled.

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